

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2015

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

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JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

OFFICIALS

(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Susan Mims	Board Chair	December 2015
Terrence Neuzil	Vice Chair	December 2015
John Lundell	Member	December 2015
Lonny Pulkrabek	Member	December 2014
Dave Wilson	Member	December 2014
Tom Markus	Member	December 2015
Chris Hoffman	Member	December 2014

(After January 2015)

Terrence Neuzil	Board Chair	December 2015
John Lundell	Vice Chair	December 2015
Susan Mims	Member	December 2015
Lonny Pulkrabek	Member	December 2016
Dave Wilson	Member	December 2016
Tom Markus	Member	December 2015
Chris Hoffman	Member	December 2016

## INDEPENDENT AUDITOR'S REPORT

To the Joint Policy Board of  
Joint Emergency Communications Services Association of Johnson County, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Joint Emergency Communications Services Association of Johnson County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Joint Emergency Communications Services Association of Johnson County, Iowa's basic financial statements listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Joint Emergency Communications Services Association of Johnson County, Iowa, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 6 to the financial statements, the Joint Emergency Communications Services Association of Johnson County, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Association's proportionate share of the net pension liability and the schedule of Association contributions on pages 4 through 6 and 24 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of Joint Emergency Communications Services Association of Johnson County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Joint Emergency Communications Services Association of Johnson County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
December 11, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Joint Emergency Communications Services Association of Johnson County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Entity wide revenues decreased \$328,356 in the current year primarily due to a decrease in property tax revenue.
- Entity wide expenses decreased \$160,070 in the current year primarily due to a decrease in personnel services.
- Net position decreased \$2,906,534 from \$13,491,375 to \$10,584,841, due to a prior period adjustment related to the adoption of GASB 68 of \$1,265,844 and a decrease in net position (primarily related to depreciation expense) of \$1,640,690.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Association as a whole and present an overall view of the Association's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the Association's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Association's proportionate share of the net pension liability and related contributions.

### REPORTING THE ASSOCIATION'S FINANCIAL ACTIVITIES

#### *Government-wide Financial Statements*

One of the most important questions asked about the Association's finances is, "Is the Association as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the Association's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the Association's net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Activities presents information showing how the Association's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Association's government activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services. Property tax finances most of these activities.

## Fund Financial Statements

The Association has one type of fund:

The Governmental fund accounts for all of the Association's basic services. It focuses on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the Association's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Association's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The Association's net position decreased from a year ago, decreasing from \$12,225,531 at June 30, 2014 to \$10,584,841 at June 30, 2015. The analysis that follows focuses on the changes in the net position of governmental activities.

	<u>Statements of Net Position</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014, as restated</u>
Current and other assets	\$ 5,224,601	\$ 5,025,901
Capital assets	<u>9,953,424</u>	<u>11,842,137</u>
Total assets	<u>15,178,025</u>	<u>16,868,038</u>
Deferred outflows of resources	<u>192,807</u>	<u>137,846</u>
Total liabilities	<u>1,150,362</u>	<u>1,577,129</u>
Deferred inflows of resources	<u>3,635,629</u>	<u>3,203,224</u>
Net position	\$ <u>10,584,841</u>	\$ <u>12,225,531</u>

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$1,265,844 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2014 financial statement amounts for pension expense, and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

The net position of the Association's governmental activities decreased \$1,640,690 during the year, primarily due to a decrease in revenues and a decrease in operating expenses. The following analysis details the changes in net position resulting from the Association's activities during the years ended June 30, 2015 and 2014.

	<u>Change in Net Position</u>	
	<u>Year ended</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014, not restated</u>
Program revenues:		
Charges for service	\$ 14,625	\$ 31,750
General revenues:		
Property tax	3,203,224	3,518,779
Other general revenues	18,045	13,721
Total general revenues	<u>3,221,269</u>	<u>3,532,500</u>
Total revenues	<u>3,235,894</u>	<u>3,564,250</u>
Program expenses:		
Public safety and legal services	<u>4,876,584</u>	<u>5,036,654</u>
Change in net position	(1,640,690)	(1,472,404)
Net position beginning of year, as restated	<u>12,225,531</u>	<u>14,963,779</u>
Net position end of year	\$ <u>10,584,841</u>	\$ <u>13,491,375</u>

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

The Association maintains one fund which is shown as a major fund. During the year ended June 30, 2015, net position increased \$169,381, from \$1,712,694 to \$1,882,075. The current year increase is a result of decreased revenue compared to the prior year. Prior year increase in net position was \$422,683.

#### **CAPITAL ASSETS**

At June 30, 2015, the Association had \$9,953,424 invested in capital assets, net of accumulated depreciation of \$9,913,176. This is a net decrease of \$1,888,713, compared to the prior year. Depreciation charges totaled \$1,888,713 for fiscal year 2015. More detailed information about the Association's capital assets is presented in Note 4 to the Financial Statements.

#### **ECONOMIC FACTORS**

The Joint Emergency Communications Services Association of Johnson County, Iowa hopes to improve its financial position during the coming fiscal year. However, the current condition of the economy in the State continues to be a concern for Association officials. Some of the realities that may potentially become challenges for the Association to meet are:

The Association's system requires constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up to date technology at a reasonable cost.

The Association anticipates the current fiscal year will be much like the last and we will maintain a close watch over resources to maintain our ability to react to unknown issues.

#### **CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tom Jones, Director, 4529 Melrose Avenue, Iowa City, Iowa 52246.



JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental</u> <u>Activities</u>
<u>ASSETS:</u>	
Cash, cash equivalents and pooled investments	\$ 1,942,389
Receivables:	
Accounts receivable	2,906
Property tax:	
Succeeding year	3,201,875
Prepaid expenses	77,431
Capital assets (net of accumulated depreciation)	9,953,424
TOTAL ASSETS	<u>15,178,025</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Pension related deferred outflows	<u>192,807</u>
<u>LIABILITIES:</u>	
Accounts payable	51,208
Salaries and benefits payable	89,443
Long-term liabilities:	
Portion due and payable within one year:	
Compensated absences	74,154
Portion due and payable after one year:	
Net pension liability	935,557
TOTAL LIABILITIES	<u>1,150,362</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable property tax revenue	3,201,875
Pension related deferred inflows	433,754
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,635,629</u>
<u>NET POSITION:</u>	
Net investment in capital assets	9,953,424
Unrestricted	631,417
TOTAL NET POSITION	\$ <u>10,584,841</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for service</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:			
Public safety and legal services	\$ <u>4,876,584</u>	\$ <u>14,625</u>	\$ <u>(4,861,959)</u>
Total	\$ <u>4,876,584</u>	\$ <u>14,625</u>	\$ <u>(4,861,959)</u>
General revenues:			
Property and other County tax			3,203,224
Unrestricted investment earnings			3,087
Miscellaneous			<u>14,958</u>
Total general revenues			<u>3,221,269</u>
Change in net position			(1,640,690)
Net position - Beginning of year, as restated			<u>12,225,531</u>
Net position - End of year			\$ <u>10,584,841</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2015

ASSETS

Cash, cash equivalents and pooled investments	\$ 1,942,389
Receivables:	
Accounts receivable	2,906
Property tax:	
Succeeding year	3,201,875
Prepaid expenses	<u>77,431</u>
TOTAL ASSETS	\$ <u>5,224,601</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ 51,208
Salaries and benefits payable	<u>89,443</u>
TOTAL LIABILITIES	<u>140,651</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues:	
Succeeding year property tax	<u>3,201,875</u>

FUND BALANCE:

Nonspendable:	
Prepaid expenditures	77,431
Unassigned	<u>1,804,644</u>
TOTAL FUND BALANCE	<u>1,882,075</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ <u>5,224,601</u>
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JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

Total governmental fund balance	\$	1,882,075
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$19,866,600 and the accumulated depreciation is \$9,913,176.		9,953,424
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	192,807	
Deferred inflows of resources	<u>(433,754)</u>	(240,947)

Long-term liabilities, including compensated absences payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental fund.		<u>(1,009,711)</u>
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Net position of governmental activities	\$	<u>10,584,841</u>
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JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2015

REVENUES:

Property and other county tax	\$ 3,203,224
Charges for service	14,625
Use of money and property	3,087
Miscellaneous	<u>14,958</u>
Total revenues	<u>3,235,894</u>

EXPENDITURES:

Operating:	
Public safety and legal services	<u>3,066,513</u>

Change in fund balance	169,381
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Fund balance - Beginning of year	<u>1,712,694</u>
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Fund balance - End of year	\$ <u>1,882,075</u>
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JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Change in fund balance - Total governmental fund	\$ <u>169,381</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental fund reports capital outlays as expenditures while governmental activities reports depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Depreciation expense	(1,888,713)
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The current year Association employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

141,351

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(10,698)	
Pension expense	<u>(52,011)</u>	<u>(62,709)</u>

Change in net position of governmental activities	\$ <u>(1,640,690)</u>
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JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Joint Emergency Communications Services Association of Johnson County, Iowa is established under Chapter 29(c) of the Code of Iowa. The goal of the Association is to provide all residents of Johnson County, Iowa a single answering point for processing their calls for emergency and non-emergency assistance for police, fire, medical and general service responders and to provide primary communications for all public safety agencies responding within our jurisdictional boundaries, through use of 2-way radios, telephones, and/or teletype equipment. The Association is primarily funded by property taxes.

A Policy Board with a minimum of seven citizens from Johnson County, Iowa governs the Joint Emergency Communications Services Association of Johnson County, Iowa.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Joint Emergency Communications Services Association of Johnson County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the Association. Governmental activities are primarily supported by property tax.

The Statement of Net Position present the Association's assets, deferred outflows of resources, liabilities and deferred inflow of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Unrestricted net position consist of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Association has only one fund and it is reported as a major fund.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Association considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Association.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Association's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

The succeeding year property tax receivable represents taxes certified by the County Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.



JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Capital Assets – Capital assets, which include property, and equipment and vehicles, are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend lives are not capitalized. Reportable capital assets are defined by the Association as assets with initial, individual costs in excess of \$5,000 and estimated useful lives in excess of two years.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset class</u>	<u>Years</u>
Buildings	40
Land improvements	20
Machinery and equipment	3-10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences – Association employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the entity-wide financial statements. Availability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Fund Equity – In the governmental fund financial statements, fund balance is classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Unassigned – All amounts not included in the preceding classification.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The Association's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Policy Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The Association's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Association.

NOTE 3: RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Association assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 50,125	\$ -	\$ -	\$ 50,125
Total capital assets not being depreciated	<u>50,125</u>	<u>-</u>	<u>-</u>	<u>50,125</u>
Capital assets being depreciated:				
Buildings	5,142,716	-	-	5,142,716
Land improvements	9,533	-	-	9,533
Machinery and equipment	14,664,226	-	-	14,664,226
Total capital assets being depreciated	<u>19,816,475</u>	<u>-</u>	<u>-</u>	<u>19,816,475</u>
Less accumulated depreciation for:				
Buildings	514,272	128,568	-	642,840
Land improvements	1,908	477	-	2,385
Machinery and equipment	7,508,283	1,759,668	-	9,267,951
Total accumulated depreciation	<u>8,024,463</u>	<u>1,888,713</u>	<u>-</u>	<u>9,913,176</u>
Total capital assets being depreciated, net	<u>11,792,012</u>	<u>(1,888,713)</u>	<u>-</u>	<u>9,903,299</u>
Governmental activities capital assets, net	\$ <u>11,842,137</u>	\$ <u>(1,888,713)</u>	\$ <u>-</u>	\$ <u>9,953,424</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public safety and legal services	\$ <u>1,888,713</u>

NOTE 5: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Compensated Absences	Net Pension Liability	Total
Balance – Beginning of year, as restated	\$ 63,456	\$ 1,403,690	\$ 1,467,146
Increases	74,154	-	74,154
Decreases	<u>(63,456)</u>	<u>(468,133)</u>	<u>(531,589)</u>
Balance – End of year	\$ <u>74,154</u>	\$ <u>935,557</u>	\$ <u>1,009,711</u>
Due within one year	\$ <u>74,154</u>	\$ <u>-</u>	\$ <u>74,154</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6: PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6: PENSION PLAN (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Association contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the Association both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the Association contributed 10.14 percent for a total rate of 16.90 percent.

The Association's contributions to IPERS for the year ended June 30, 2015 were \$141,351.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Association reported a liability of \$935,557 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Association's proportion of the net pension liability was based on the Association's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Association's proportion for the regular membership group, was .023117 percent, which was a decrease of .001674 from their proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Association recognized pension expense of \$52,011. At June 30, 2015, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Regular Membership</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,168	\$ -
Changes of assumptions	41,288	-
Net difference between projected and actual earnings on pension plan investments	-	356,794
Changes in proportion and differences between Association contributions and proportionate share of contributions	-	76,960
Association contributions subsequent to the measurement date	<u>141,351</u>	<u>-</u>
Total	\$ <u>192,807</u>	\$ <u>433,754</u>

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6: PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$141,351 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Regular</u> <u>Membership</u>
2016	\$ (95,157)
2017	(95,157)
2018	(95,157)
2019	(95,157)
2020	(1,670)
	\$ <u>(382,298)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6: PENSION PLAN (Continued)

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100</u> %	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Association will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Association's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Association's proportionate share of the net pension liability:			
Regular membership	\$ 1,767,708	\$ 935,557	\$ 233,135

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan – At June 30, 2015, the County reported payables to the defined benefit pension plan of \$7,048 for legally required employer contributions and \$10,579 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 7: OPERATING LEASES

The Joint Emergency Communications Services Association of Johnson County, Iowa has leased various sites. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. The leases have various expiration dates and require various monthly and annual rentals. Certain leases are renewable for additional periods. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Minimum Rental</u> <u>Payments</u>
2016	\$ 32,219
2017	30,975
2018	30,877
2019	4,600
2020	2,500
Total	\$ <u>101,171</u>

Total rental expense for the year ended June 30, 2015 for all operating leases was \$31,758.

NOTE 8: EMPLOYEE HEALTH INSURANCE PLAN

The Self Funded Health Plan was established to account for the partial self-funding of the Association's health insurance benefit plan. The plan is funded by both employee and the Association contributions and is administered through a service agreement with Advantage Administrators.

Monthly payments of service fees and plan contributions to the Self Funded Health Plan are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Advantage Administrators from the Self Funded Health Plan. The Association's contribution for the year ended June 30, 2015 was \$5,742.

Amounts payable from the Self Funded Health Plan at June 30, 2015 total \$58, which is for incurred but not reported (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9: ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:



JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 9: ACCOUNTING CHANGE/RESTATEMENT (Continued)

	<u>Governmental</u> <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 13,491,375
Net pension liability at June 30, 2014	(1,403,690)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>137,846</u>
Net position July 1, 2014, as restated	\$ <u>12,225,531</u>

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 11, 2015, the date the financial statements were available to be issued.

JOINT EMERGENCY COMMUNICATIONS SERVICES ASSOCIATION OF JOHNSON COUNTY, IOWA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
Association's proportion of the net pension liability (asset)	
Regular	0.023117 %
Association's proportionate share of the net pension liability (asset)	
Regular	\$ 935,557
Association's covered-employee payroll	
Regular	\$ 1,538,910
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	
Regular	60.79 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available.

JOINT EMERGENCY COMMUNICATIONS SERVICES ASSOCIATION OF JOHNSON COUNTY, IOWA

SCHEDULE OF COUNTY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 2 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 141,351	\$ 137,846
Contributions in relation to the statutorily required contribution	<u>141,351</u>	<u>137,846</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
County's covered-employee payroll	\$ 1,582,877	\$ 1,538,910
Contributions as a percentage of covered-employee payroll	8.93 %	8.96 %

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available.

JOINT EMERGENCY COMMUNICATIONS SERVICES ASSOCIATION OF JOHNSON COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Policy Board of the  
Joint Emergency Communications Services Association of Johnson County, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Joint Emergency Communications Services Association of Johnson County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Joint Emergency Communications Services Association of Johnson County, Iowa's basic financial statements and have issued our report thereon dated December 11, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the Joint Emergency Communications Services Association of Johnson County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item A to be a material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Joint Emergency Communications Services Association of Johnson County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Joint Emergency Communications Services Association of Johnson County, Iowa's Response to Findings

The Joint Emergency Communications Services Association of Johnson County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. The Joint Emergency Communications Services Association of Johnson County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Joint Emergency Communications Services Association of Johnson County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
December 11, 2015

JOINT EMERGENCY COMMUNICATIONS SERVICES  
ASSOCIATION OF JOHNSON COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Internal Control Deficiencies:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that several accounting functions are all done by the same person

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Association should review its internal control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, and Board members.

Response – We will review procedures and make changes to improve internal control.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.